

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2018-19

DEPARTMENT OF THE TREASURY

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DEPARTMENT OF THE TREASURY

DEPARTMENT OVERVIEW

The State Treasurer is one of five independently elected constitutional officers of the state. The Department of the Treasury consists of three sections: Administration, Unclaimed Property Division, and Special Purpose unit, and is responsible for the following:

Primary Functions

- Ensures the safekeeping and management of public funds by depositing and investing all funds received by state agencies.
- Ensures sufficient funds are maintained in cash accounts to pay outstanding warrants.
- Administers the Unclaimed Property Program.

School Districts and Charter Schools

- Provides short-term financing to school districts by issuing tax and revenue anticipation notes.
- Assists charter schools with long-term financing by making direct bond payments.

Other Distributions and Loans

- Distributes Highway Users Tax Fund revenues to counties and municipalities.
- Distributes federal mineral leasing funds received for the state's share of sales, bonuses, royalties, and rentals of public lands within Colorado.
- Disburses reimbursements to local governments for the Senior Citizen and Disabled Veteran Property Tax Exemption.
- Makes loans to elderly individuals and military personnel through the Property Tax Deferral Program.
- Provides property tax reimbursements for property destroyed by a natural cause.
- Transmits moneys from the Unclaimed Property Trust Fund to the Adult Dental Fund.

ADMINISTRATION

In addition to overall management of the Department, the Administration section is responsible for accounting, cash management, and investments. The Department is responsible for ensuring the safekeeping and management of public funds by maintaining sufficient funds in cash accounts to meet the state's daily cash needs and depositing all funds received by state agencies in statutorily authorized investments. In addition, the Department ensures that sufficient funds are maintained in cash accounts to meet the state's daily cash needs. The income earned on these investments augments the state's revenues from taxes and fees and decreases the tax burden on Colorado's citizens. The Department's three investment offices manage five investment portfolios with short, intermediate, and long-term fixed income goals.

UNCLAIMED PROPERTY DIVISION

The Unclaimed Property Division is established to take custody of dormant or abandoned property and return the property to the rightful owners or heirs. The value of intangible property, excluding securities, is held in the Unclaimed Property Trust Fund (UPTF); and the value of securities is held

in the Unclaimed Property Tourism Promotion Trust Fund (UPTPTF). Funds from the UPTF support the administration of the Unclaimed Property Program and a portion of the Administration division's personal services line item.

As outlined above, the UPTPTF is managed separately from the four remaining investment accounts, and pursuant to Section 38-13-116.7, C.R.S., distribution for earned interest of this fund is allocated as follows: 25.0 percent to the Colorado State Fair Authority Cash Fund, 65.0 percent to the Agriculture Management Fund, and 10.0 percent to the Colorado Travel and Tourism Promotion Fund.

SPECIAL PURPOSE DIVISION

The Special Purpose Division disburses moneys to local governments and other authorized recipients of state funds for the following programs:

- The Senior Citizen and Disabled Veteran Property Tax Exemption from the General Fund;
- Disbursements of Highway Users Tax Fund proceeds to counties and municipalities in the state; and
- Reimbursement of property taxes paid for property that has been destroyed in a natural disaster or by another cause beyond the control of the property owner.

These programs, which are created in the State Constitution or statute, are appropriated in the Department of the Treasury section of the Long Bill, but are pass-through programs in which the Treasury disburses or transfers moneys, but does not administer the programs.

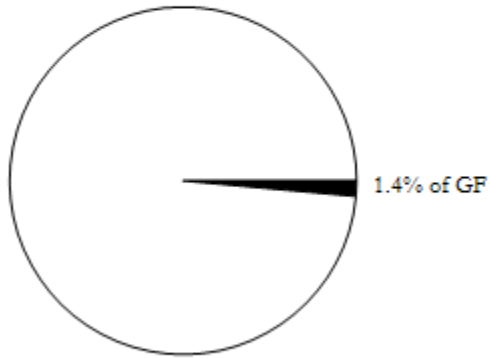
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 *
General Fund	\$135,037,666	\$139,308,257	\$151,447,545	\$166,365,577
Cash Funds	346,610,762	354,267,675	354,847,185	367,574,655
Reappropriated Funds	0	17,775,175	17,773,025	17,685,263
Federal Funds	0	0	0	0
TOTAL FUNDS	\$481,648,428	\$511,351,107	\$524,067,755	\$551,625,495
Full Time Equiv. Staff	31.9	32.9	32.9	32.9

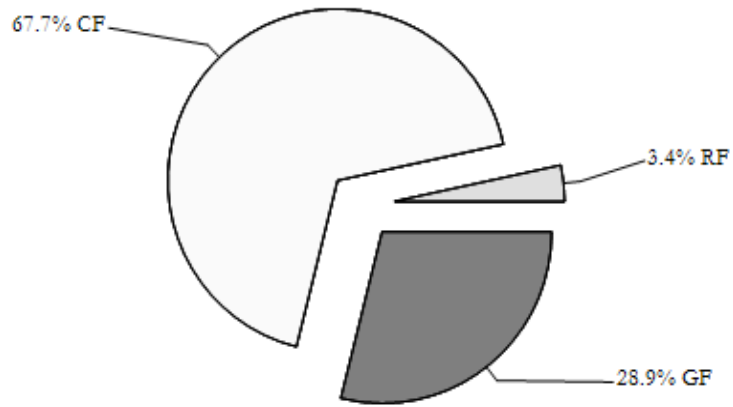
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

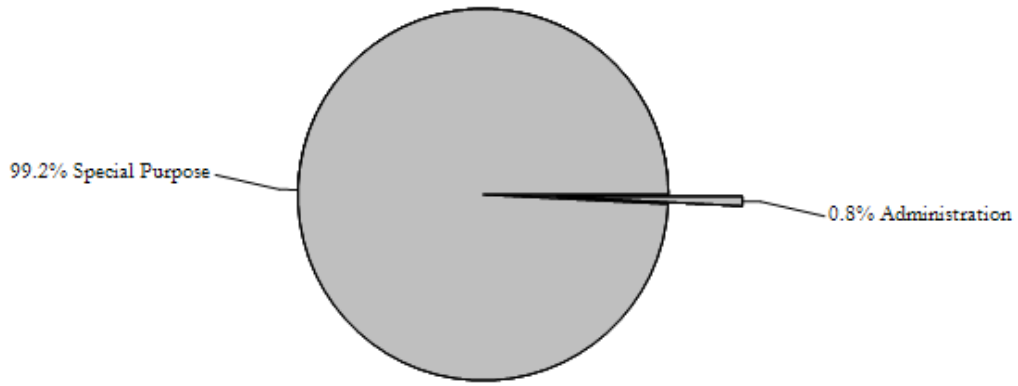


Department Funding Sources

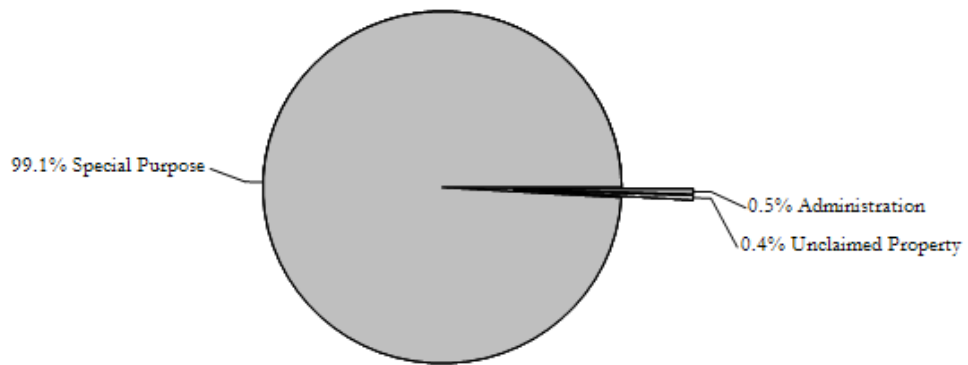


All charts are based on the FY 2017-18 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2017-18 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

The Department's funding for FY 2017-18 consists of 28.9 percent General Fund, 67.7 percent cash funds, and 3.4 percent reappropriated funds.

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION

Section 3.5 of Article X of the Colorado Constitution grants a property tax exemption to qualifying senior citizens and disabled veterans. A senior citizen is eligible for the property tax exemption if the property owner-occupier is at least 65 years of age on the assessment date and has occupied the residence for at least ten years, or is the surviving spouse of a person who previously qualified for the exemption. An honorably discharged disabled veteran is eligible for the property tax exemption if the owner-occupier has a 100.0 percent service-connected disability on the assessment date. Property tax is exempted on 50.0 percent of the first \$200,000 of actual property value for qualifying homeowners. The State Treasurer is required to reimburse local governments for the resulting loss of property tax revenues. The Constitution grants the General Assembly the power to raise or lower the amount of residence value that is exempt from taxation.

PROPERTY TAX REIMBURSEMENTS FOR PROPERTY DESTROYED BY A NATURAL CAUSE

In the 2014 Session, the General Assembly passed H.B. 14-1001 providing a property tax reimbursement for real or business property listed on a single tax schedule that was destroyed by a natural cause (fire, explosion, flood, tornado, action of the elements, act of war or terror, etc.). This property tax reimbursement is subject to an amount equal to the property tax liability applicable to the destroyed property in the property tax year in which the natural cause occurred. Funds made available for this property tax reimbursement are subject to annual appropriation by the General Assembly.

HIGHWAY USERS TAX FUND DISBURSEMENTS

The Department distributes revenues from the Highway Users Tax Fund (HUTF) to counties and municipalities for use on local transportation projects pursuant to statutory formulas. The amounts anticipated to be distributed to counties and municipalities are reflected as cash funds appropriations within the Special Purpose section of the Long Bill for informational purposes.

TRANSFERS FROM THE UNCLAIMED PROPERTY TRUST FUND

The Unclaimed Property Program in the Department of the Treasury is established to take custody of dormant or abandoned property and return the property to the rightful owners or heirs. Such intangible property is subject to the custody of the state as unclaimed property and is held in trust on behalf of the owners in the Unclaimed Property Trust Fund (UPTF). Aside from the payment of claims to owners and heirs, the fund balance is used to cover the costs of administering the program, including personal services, operating expenses, promotion and correspondence, leased space, and contract auditor services for the division. In addition, it is used to cover a portion of the Department of Treasury's administrative costs, and a percentage of the salaries paid to the Treasurer and Deputy Treasurer.

TRANSFERS TO THE STATE EDUCATION FUND

Pursuant to S.B. 13-234, on May 31, 2013, the State Treasurer transferred \$132,409,339 from the General Fund to the FPPA in order to fully resolve the liability created under Section 31-30.5-307,

C.R.S. This transfer served to satisfy all future payments to the fund; and upon this transfer, no other transfers will be made to the benefit plan. The transfer reduced the amount of the General Fund surplus that would otherwise have been transferred to the State Education Fund. In order to reimburse this fund, the General Assembly established a repayment schedule for transfers from the General Fund to the State Education Fund. Annual transfers of \$25,231,070 were scheduled for April of each year from 2015 through 2018, with a final transfer of \$24,991,739 scheduled for April of 2019. Remaining transfers are outlined in the table below:

TRANSFERS TO STATE EDUCATION FUND SCHEDULE (S.B. 13-234)	
PAYMENT DATE	AMOUNT
April 2017 (FY 2016-17)	25,321,079
April 2018 (FY 2017-18)	25,321,079
April 2019 (FY 2018-19)	24,991,739

SUMMARY: FY 2017-18 APPROPRIATION & FY 2018-19 REQUEST

DEPARTMENT OF THE TREASURY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	Federal Funds	FTE
FY 2017-18 APPROPRIATION:						
SB 17-254 (Long Bill)	524,067,755	151,447,545	354,847,185	17,773,025	0	32.9
TOTAL	\$524,067,755	\$151,447,545	\$354,847,185	\$17,773,025	\$0	32.9
FY 2018-19 APPROPRIATION:						
FY 2017-18 Appropriation	\$524,067,755	151,447,545	\$354,847,185	\$17,773,025	\$0	32.9
Property tax exemption adjustment	14,806,461	14,806,461	0	0	0	0.0
HUTF county adjustment	7,147,119	0	7,147,119	0	0	0.0
HUTF municipality adjustment	5,548,502	0	5,548,502	0	0	0.0
Non-prioritized changes	36,931	36,931	0	0	0	0.0
Annualize prior year salary survey	16,124	9,083	7,041	0	0	0.0
Annualize prior year legislation	12,994	12,994	0	0	0	0.0
Centrally appropriated line items	5,733	61,646	31,849	(87,762)	0	0.0
Annualize prior year merit pay	(16,124)	(9,083)	(7,041)	0	0	0.0
TOTAL	\$551,625,495	\$166,365,577	\$367,574,655	\$17,685,263	\$0	32.9
INCREASE/(DECREASE)	\$27,557,740	\$14,918,032	\$12,727,470	(\$87,762)	\$0	0.0
Percentage Change	5.3%	9.9%	3.6%	(0.5%)	n/a	0.0%

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION ADJUSTMENT: The request includes an increase of \$14.8 million General Fund for FY 2018-19 for reimbursement to local governments for lost property tax revenues.

HUTF COUNTY ADJUSTMENT: The request includes an increase of \$7.1 million cash funds for adjustments to the county HUTF disbursement.

HUTF MUNICIPALITY ADJUSTMENT: The request includes an increase of \$5.5 million cash funds for adjustments to the municipality HUTF disbursement.

NON-PRIORITIZED CHANGES: The request includes an increase of \$36,931 General Fund, which includes \$159 for the Cybersecurity liability insurance policy and \$36,772 is for an OSPB set-aside for elected officials.

ANNUALIZE PRIOR YEAR SALARY SURVEY: The request includes an increase of \$16,124 total funds, of which \$9,083 is General Fund and \$7,041 are cash funds for annualization of the prior year salary survey.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes an increase of \$12,994 General Fund to annualize prior year legislation.

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items including the following: health, life, and dental; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; salary survey; workers' compensation and payments to risk management; legal services; Capitol complex leased

space; payments to the Governor's Office of Information Technology (OIT); and CORE operations.

ANNUALIZE PRIOR YEAR MERIT PAY: The request includes a decrease of \$16,124 total funds, of which \$9,083 is General Fund and \$7,041 are cash funds for annualization of prior year merit pay.

ISSUE: UNCLAIMED PROPERTY TRUST FUND

The Unclaimed Property Trust Fund (UPTF) is where Unclaimed property (tangible or intangible property that has not been claimed by its rightful owner for a specific period of time, usually five years) is held in trust by the state.

SUMMARY:

Unclaimed property is reportable in all 50 states and in some Canadian provinces, and includes but is not limited to: savings/checking accounts, uncashed checks, stocks/other securities, mutual funds, utility deposits, overpayments, unused airline tickets, and money orders. The mission of the Unclaimed Property Division is to reunite all owners or their heirs with their unclaimed property. The competing pressures on the fund raises concerns on the long-term sustainability of using the fund for appropriations outside of returning the value of property to its rightful owner/heir.

RECOMMENDATION:

Staff recommends the Joint Budget Committee and General Assembly consider taking action to shore-up the long-term sustainability of the Unclaimed Property Trust Fund. Options to accomplish this are contained at the end of this issue.

DISCUSSION:

Background

The Unclaimed Property program was established in 1987 (codified in C.R.S. 38-13-101, et seq.), to locate owners of dormant or abandoned property and return their property to them. The law was expanded subsequently to include all types of companies and business entities, with limited exceptions. The law also covers public institutions, including courts, municipalities, most governmental subdivisions/agencies, public corporations or authorities, non-profit entities, hospitals, utilities, estates, trusts, or any other legal or commercial entity. Unclaimed property submittals typically arrive at two points during the year; November 1st submittals contain most unclaimed property and May 1st submittals contains life insurance unclaimed property.

The process whereby individuals are reunited with unclaimed property is defined in Section 38-13-110, C.R.S. Reported property is received and logged by Unclaimed Property Program staff. The Division accepts encrypted reports on its website. Currently 100 percent of non-state holders with 20 or more items report electronically (a requirement since March 2007); and the division continues to work with state agencies on reporting in this prescribed format. In FY 2017-18, the Division focused on eliminating reports that are not submitted electronically by all holders, including those with fewer than 20 items.

Pursuant to Section 38-13-119, C.R.S., any claim submitted to the Unclaimed Property Program must be acted upon within 90 days after its filing. If this requirement is not met, the claimant may bring action to establish the claim in a court of competent jurisdiction (within 180 days of filing the claim), naming the administrator as a defendant.

Colorado businesses typically identify millions of dollars worth of unclaimed property during the reporting process. In many cases these businesses contact the property holders directly and return the money directly to them rather than transferring it to the Treasury. Due to these dual efforts, more than half a million owners or their heirs have had unclaimed property returned to them since the program began.

The Unclaimed Property Division also includes a small audit section that is charged with ensuring holder compliance with the reporting requirement. This section participates in seminars to educate citizens and businesses about the Unclaimed Property Act and the related compliance responsibilities. The Desk Audit Program is designed to improve unclaimed property compliance by contacting non-compliant companies and providing them with information about the Colorado Unclaimed Property Program. The auditors then assist the business with reporting their unclaimed property.

Unclaimed Property has been featured repeatedly on local and nationally-televised programs such as 60 Minutes and Good Morning America, various programs on the Public Broadcasting system, and websites such as www.missingmoney.com. This outreach generates hundreds of calls and claims with each occurrence and contributes to the increased number of inquiries and claims. Locally, most of the television stations, and many radio stations, featured interviews with the Treasurer discussing various aspects of the Unclaimed Property Program. The Treasury ran a large ad in the Denver Post, and regional newspapers across the state, reminding Coloradans that the Treasury is holding nearly one billion dollars and that the online list contains more than three million names. The statewide ads generated thousands of calls and claims from people finding their names on the list.

The Division recently implemented a new Unclaimed Property software program that will improve tracking of claims and the information flow to and from the claimant and the Division. The new system is expected to dramatically reduce the amount of time it takes to process and pay claims. Today, claims that are low complexity are being paid within days or a couple of weeks of receipt. The Division also launched a new website that provides more information and greater access to claimants, as well as holders. This improved service allows citizens to search the Unclaimed Property database, directly download a claim form, upload a completed claim form, and upload documentation for submittal to the Division.

In addition to being able to submit a claim and/or documentation online, a claimant may also inquire online as to the status of a claim. The success of all these efforts is a constant increase in citizen inquiries and claims. Inquiries to the Department increased by nearly 80%, growing from approximately 77,000 inquiries in FY 2007-08 to approximately 138,000 inquiries in FY 2008-09; and the total number of inquiries has held fairly steady since then with only the type of inquiries varying from year to year.

The Department's Investment Section manages the Unclaimed Property Tourism Promotion Trust Fund (UPTPTF) as a separate account. Beginning in February 2009, Section 38-13-116.7 C.R.S., established a new distribution pattern for the interest earned on the Fund. The new allocation of the interest earned is as follows: 1) 25% to the Colorado State Fair Authority Cash Fund; 2) 65% to the Agriculture Management Fund; and 3) 10% to the Colorado Travel and Tourism Promotion Fund.

In FY 2005-06, the division was able to implement the provisions of Section 38-13-117.3 – 117.7 C.R.S. These statutes direct the Treasury to review all approved claims that exceed \$600 for possible

interception to satisfy specified outstanding fees, fines or child support obligations. The division routinely checks these claims against lists submitted by the Judicial Department (JUD), the Department of Revenue (DOR), and the Department of Human Services (DHS). The total dollar amount of “Intercepted” claims by department in FY 2016-17 was as follows: JUD \$31,659; DHS \$10,661; and DOR \$94,980.

During the FY 2014-15 budget cycle, the General Assembly appropriated \$30,300 to the Department for the purchase of a LexisNexis computer-assisted research service. This service is a data storehouse containing over 36 billion records from 20,000 disparate sources that map to 585 million unique identities. According to an Executive Summary of the service provided by the company, the service will “meet or exceed federal and state privacy and security requirements at every level.” The technology is intended to provide a comprehensive set of tools that will support the Unclaimed Property Program’s staff in locating owners and authenticating claimants.

Funds

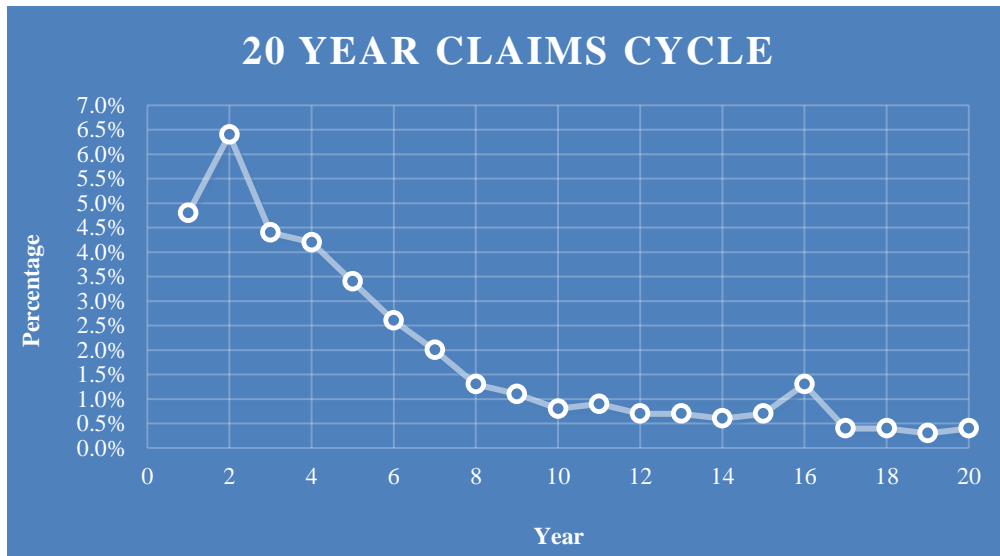
Section 38-13-115 C.R.S., requires the Treasurer to sell unclaimed securities of Colorado citizens held by a third party. In FY 2004-05, Treasury began the liquidation process and deposited money into the Trust Fund. More than \$51 million from the first two sales of securities was deposited into the newly created Unclaimed Property Tourism Promotion Trust Fund in FY 2004-05. Additional funds totaling approximately \$8 million were deposited into the Unclaimed Property Tourism Promotion Trust Fund in September 2005 and approximately another \$5 million was deposited in September 2006. Sales were then suspended due to the turbulent fiscal conditions in the years to follow and resumed in FY 2009-10 when the sale of securities resulted in collections of nearly \$39 million. The following are transfers to the fund:

- FY 2011-12, the sale from one year of security holdings totaled \$6.8 million;
- September 2012, the sales of securities totaled \$9.0 million;
- September 2013, the sales totaled \$13.9 million;
- October 2014, the sales totaled \$17.0 million.
- October 2015, the sales totaled \$12.2 million; and,
- October 2016, the sales totaled \$12.6 million.

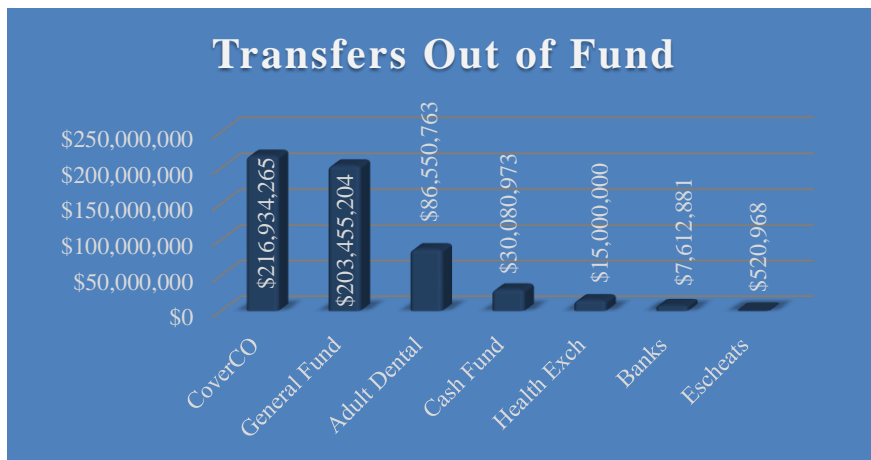
Although monies in the UPTF are held in trust by the state, since 1991 funds from the principal and interest of the UPTF have been authorized for use to fund programs that address medical or dental needs of Colorado residents. Upon transfer from the UPTF, funds are subject to the TABOR limitation on fiscal year spending pursuant to Section 20 of Article X of the Colorado Constitution. From 1991 through 2013 annual transfers from the UPTF were made to CoverColorado, a nonprofit entity created by the General Assembly to offer health insurance coverage to people unable to obtain insurance at a reasonable cost or without significant exclusions. As a result of the passage of the federal Patient Protection and Affordable Care Act of 2010, and pursuant to H.B. 13-1115, CoverColorado was repealed and the transmission of monies to CoverColorado from the Unclaimed Property Trust Fund ended effective May 1, 2013. The legislation required the board to transmit \$15.0 million from CoverColorado to the State Treasurer for deposit into the UPTF on July 1, 2013. These funds were subsequently transferred from the UPTF to Connect for Health Colorado, the state’s health benefit exchange. This was a one-time transfer.

Pursuant to S.B. 13-242, dental services for adults were added to the list of operational services provided by Medicaid and are funded through the creation of the Adult Dental Fund (ADF). Legislation directs that transfers from the UPTF be made into the ADF to cover the costs of the Adult Dental program. During the 2016 legislative session, H.B. 16-1409 was passed requiring the estimated FY 2016-17 transfer in the amount of \$34.8 million to occur in June 2016. This transfer eliminated the transfer that would have occurred in FY 2016-17. The bill also required the State Treasurer to transfer \$8.0 million from the UPTF to the General Fund in FY 2015-16. This was a one-time transfer.

The Unclaimed Property Trust Fund maintains a reserve equal to the percentage of claims paid over a rolling 20-year period. The Chart below displays the percentages paid per year on claims from any specific year.



Since the fund's inception, over \$560 million has been transferred out of the Unclaimed Property Trust Fund for purposes other than payment of claims.



20 Year Claim Payout by Percentage

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
1997	19.4%	6.5%	2.7%	2.8%	2.8%	1.8%	1.0%	1.1%	0.4%	0.5%										
1998	9.9%	6.3%	3.1%	3.4%	3.2%	1.8%	1.6%	1.3%	0.9%	0.8%	0.7%									
1999	5.4%	6.9%	3.1%	2.8%	2.9%	2.2%	1.6%	1.0%	0.6%	0.6%	0.8%									
2000	9.0%	5.8%	4.1%	1.9%	4.1%	1.8%	1.0%	0.8%	1.0%	1.3%	0.9%	0.6%	0.5%							
2001	6.1%	7.4%	4.1%	2.4%	2.7%	2.0%	1.1%	1.3%	0.8%	1.1%	4.0%	0.6%	0.4%	0.3%						
2002	6.0%	7.4%	5.4%	2.2%	3.1%	2.0%	1.6%	0.9%	0.7%	0.6%	0.4%	0.3%	0.5%	0.4%	0.2%					
2003	5.9%	7.6%	3.1%	6.1%	3.4%	1.9%	4.7%	1.2%	0.7%	0.9%	0.5%	0.7%	1.0%	0.3%	0.8%	2.6%				
2004	5.9%	7.4%	3.2%	3.7%	1.9%	2.6%	1.8%	1.1%	1.0%	0.8%	1.2%	0.7%	2.7%	2.3%	3.2%	11.3%	1.6%			
2005	1.0%	7.6%	3.4%	5.2%	3.1%	1.6%	3.4%	1.0%	1.2%	0.6%	0.4%	0.5%	1.0%	0.6%	0.3%	0.2%	0.1%	0.2%		
2006	1.9%	3.0%	3.6%	4.8%	2.8%	4.1%	3.1%	1.6%	1.1%	0.7%	0.6%	1.0%	1.2%	0.6%	0.4%	0.3%	0.2%	0.5%	0.2%	
2007	3.2%	5.3%	1.8%	4.4%	3.6%	2.5%	2.0%	2.1%	0.8%	0.5%	0.5%	0.8%	0.3%	0.4%	0.5%	0.5%	0.3%	0.2%	0.3%	0.1%
2008	4.6%	6.6%	5.3%	3.7%	6.9%	7.7%	4.0%	2.9%	3.8%	1.2%	0.7%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.6%	0.2%	0.2%
2009	7.1%	9.0%	5.9%	6.2%	2.1%	4.1%	2.4%	2.2%	1.4%	1.1%	0.9%	0.9%	0.9%	0.8%	0.4%	0.6%	0.4%	0.6%	0.3%	0.4%
2010	1.5%	12.1%	7.5%	4.1%	4.0%	0.9%	2.5%	1.4%	1.0%	1.0%	1.0%	0.8%	0.7%	0.7%	0.6%	0.4%	0.4%	0.4%	0.5%	0.3%
2011	2.4%	5.3%	3.5%	3.2%	2.2%	2.8%	1.1%	2.0%	1.1%	1.1%	0.8%	1.0%	0.7%	0.6%	0.5%	0.6%	0.3%	0.2%	0.2%	0.3%
2012	2.0%	9.3%	4.7%	4.9%	3.7%	2.3%	1.7%	0.6%	1.5%	1.3%	0.8%	0.7%	0.7%	0.5%	0.5%	0.6%	0.5%	0.3%	0.3%	0.3%
2013	1.5%	6.8%	3.2%	2.2%	3.2%	2.0%	1.6%	1.0%	0.6%	0.9%	0.9%	1.3%	0.5%	0.7%	0.9%	0.6%	0.3%	0.5%	0.7%	0.3%
2014	2.8%	3.4%	6.1%	5.7%	2.4%	2.6%	1.6%	1.0%	1.2%	0.5%	1.2%	1.2%	0.5%	0.5%	0.5%	0.7%	0.6%	0.6%	0.8%	0.8%
2015	2.5%	3.8%	11.6%	5.9%	2.5%	1.3%	1.6%	0.9%	0.7%	0.8%	0.4%	0.7%	0.4%	0.3%	0.4%	0.3%	0.2%	0.2%	0.1%	0.2%
2016	1.1%	3.5%	3.6%	5.4%	4.8%	2.4%	1.3%	1.1%	1.0%	0.7%	0.6%	0.3%	0.6%	0.5%	0.4%	0.3%	0.2%	0.2%	0.1%	0.3%
2017	2.0%	4.4%	2.9%	8.0%	6.0%	4.6%	2.0%	1.0%	0.9%	0.8%	1.0%	1.0%	0.3%	0.4%	0.5%	0.4%	0.5%	0.6%	0.3%	1.0%
	4.8%	6.4%	4.4%	4.2%	3.4%	2.6%	2.0%	1.3%	1.1%	0.8%	0.9%	0.7%	0.7%	0.6%	0.7%	1.3%	0.4%	0.4%	0.3%	0.4%
					23.3%					31.1%					34.8%					37.6%

STAFF RECOMMENDATION

Currently, the Unclaimed Property Trust Fund (UPTF) maintains a reserve to cover claims for a 20-year period based on historical claim payouts. The state of Colorado currently spends funds in the UPTF that are in excess of the required reserve. Additionally, over \$560 million has been transferred out of the fund for non-claim payments.

In essence, the UPTF is treated as though claimants cannot have claims paid after 20 years. In reality, claims can be made at any time and the General Fund is the source of payment if the UPTF is unable to pay the claim. This could place the General Assembly and the state of Colorado in a precarious position if claims increase (as they do during economic downturns) or if older claims are paid out at a higher rate.

This presents several options on dealing with the long-term sustainability of the fund. They include:

Option 1 – Do Nothing

The first option is to do nothing. This option leaves the status quo and does not improve the long-term stability of the fund.

Option 2 – Stop using the fund

The second option is to stop using the fund. While this option would not reduce potential future liability on the General Fund from claims, it would prevent the situation from escalating. This option would also require a new funding source for the Adult Dental program.

Option 3 – Replenish the fund

The third option is to replenish the fund to the level where all of the property held has corresponding funds to cover all claims. This option would require a transfer of General Fund in excess of \$560 million.

Option 4 – Adjust claim eligibility

The fourth option is to adjust the claim eligibility to prevent claims after a certain amount of time (i.e. 20, 30, or 40 years) for some or all property contained in the UPTF. The state of Colorado currently does this for certain types of property (such as property contained in wills where no heir exists) and this concept can be extended to other types of property.

INFORMATIONAL ISSUE: STATE INVESTMENTS

The Department of the Treasury is responsible for ensuring the safekeeping and management of public funds by depositing all funds received by state agencies. These funds are invested in statutorily authorized investments with the objectives of (in order of importance) legality, safety, liquidity, and yield. The interest made on these investments augments the state's revenues and decreases the tax burden on Colorado's citizens. In addition, the Department ensures that sufficient funds are maintained in cash accounts to meet the state's daily cash needs.

The Department's three investment offices manage five investment portfolios with short, intermediate, and long-term fixed income goals. These portfolios include:

- **The Treasurer's Pooled Funds (TPOOL):** The TPOOL consists of the TBOND and TCASH portfolios. These portfolios serve two purposes; to provide state agencies with the liquidity of a money market and to return a higher yield than a typical money market fund. The TPOOL contains most state funds, including the General Fund. Advancements in technology allowing electronic tax remittances has improved investments of state funds by providing more accurate and timely cash balance information.
 - **TCash:** a short-term portfolio including investments made in securities from one day to one year. Its purpose is to pay the state's bills, including payroll, education, Public Employees Retirement Account, and redemption funding of the state's Tax and Revenue Anticipation Notes.
 - **TBond:** an intermediate portfolio including investments made in securities with maturities from one to five years. Its purpose is to take advantage of the yield curve to earn income and diversify investments.
- **The Public School Permanent Fund (PSPF):** The PSPF is a constitutionally mandated permanent trust (long-term portfolio). Money if the Fund comes from the sale or rental of lands and mineral royalties held in the school land trust. The principal and interest on this Fund are exempt from the requirements of section 20 article X of the state constitution. An important note: the General Assembly must use General Fund to replace any capital losses in this fund. To mitigate against this, the portfolio is structured to preserve principal and then to maximize income. Changes to the fund include:¹
 - Beginning in August 2009, 50% of the gross public schools land income is credited to the Public School Capital Construction Assistance Fund created in C.R.S. 22-43.7-104 (part of the Building Excellent Schools Today or BEST Act).
 - For a portion of FY 2008-09 and all of FY 2009-10 and FY 2010-11, all public schools land income that was not transferred to the Public School Capital Assistance Fund or used for the administration of the State Land Board, plus all of the Fund's investment earnings, were transferred to the State Public School Fund, which provides moneys for the School Finance Act. Therefore, no deposits were being made into the Permanent Fund.
 - Senate Bill 11-230 continued this distribution through the end of FY 2012-13.

¹ All sub-bullet point changes that follow were contained in the Department of the Treasury FY 2018-19 Budget Request

- Senate Bill 12-145 capped the amount of money to be transferred to the State Public School Fund for FY 2011-12, which allowed \$38.3 million to be deposited into the Permanent Fund.
 - Senate Bill 13-112 capped the amount of moneys to be transferred to the State Public School Fund for FY 2012-13, which resulted in \$20.8 million being deposited into the Permanent Fund.
 - Senate Bill 13-260, resulted in the State Public School Fund receiving only the first \$16 million of the Permanent Fund's investment earnings for FY 2013-14 and FY 2014-15.
 - Senate Bill 15-267, starting in FY 2015-16, the first \$21 million of the Permanent Fund's investment earnings was to be transferred to the State Public School Fund. The balance (after transfers to the Public School Capital Assistance Fund and State Land Board administration costs) are deposited into the Permanent Fund.
 - House Bill 15-1367 changed the language in C.R.S. 39-28.8-305 so that retail marijuana excise tax collected over \$40 million is transferred to the Permanent Fund. The first such transfer occurred in FY 2015-16 for \$2.45 million, followed by a transfer of \$31.56 million in FY 2016-17.
 - Senate Bill 16-035 created the Public School Fund Investment Board. The Board is made up of the Treasurer (Chairman of the Board), three appointees by the Treasurer, and a final Board seat held by one of the Commissioners of the Colorado State Land Board. The bill enabled the Public School Permanent Fund to be invested in assets other than fixed income assets. Allowed investments include equity mutual funds, equity-indexed funds, and other equity investments that do not represent an investment in an individual corporation.
- **The Major Medical Insurance Fund (MMIF):** a long-term portfolio made up of money earned from a surcharge in the Division of Workers Compensation in the Department of Labor and Employment. Currently, \$83.0 million of this fund is designated as a component of the State's Emergency Reserve. The fund has experienced legislative changes that include:²
 - FY 2002-03 – Approximately \$205 million transferred to the General Fund
 - FY 2008-09 – \$69.5 million transferred to the General Fund.
 - FY 2009-10 – \$26.5 million transferred to the General Fund.
 - FY 2009-10 – MMIF stricture changes setting surcharge rate to a level sufficient to fund one year of obligations and to maintain a balance of one year of claims and administrative costs.
 - FY 2011-12 – \$10 million transferred to the General Fund.
 - **The Unclaimed Property Tourism Promotion Trust Fund (UPTPTF):** a long-term portfolio made up of proceeds collected through the sale of securities in the custody of the State Treasurer as the administrator of unclaimed property. The principal of the fund is expended to pay claims. Earned interest is credited to the Colorado State Fair Authority Cash Fund, the Agriculture Management Fund, and the Colorado Travel and Tourism Promotion Fund. Currently, \$5.0 million of this fund is designated as a component of the State's Emergency Reserve.

² All sub-bullet point changes that follow were contained in the Department of the Treasury FY 2018-19 Budget Request

For each of the portfolios it manages, the Department, in addition to constitutional and statutory guidance, has developed a written investment policy explicitly stating the appropriate goals, investment standards, level of liquidity, degree of credit risk, duration or average life, and other performance measures. The Treasurer has also established an investment advisory committee incorporating private sector investment professionals, and a representative of each of the agencies for which the Fund is managed, to assist him in developing these policies.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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DEPARTMENT OF THE TREASURY Walker Stapleton, State Treasurer

(1) ADMINISTRATION

Provides accounting, cash management, and investment services for the State as well as administrative services for the Treasury Department. Cash funds are the Unclaimed Property Trust Fund, Treasury Transactions Fee revenue, and the Charter School Financing Administrative Cash Fund.

Personal Services	<u>1,279,297</u>	<u>1,336,454</u>	<u>1,399,784</u>	<u>1,444,572</u>
FTE	14.0	17.4	17.4	17.4
General Fund	359,869	383,498	446,828	491,616
Cash Funds	919,428	952,956	952,956	952,956
Health, Life, and Dental	<u>250,896</u>	<u>237,461</u>	<u>298,256</u>	<u>309,908</u>
General Fund	130,196	143,038	158,832	181,552
Cash Funds	120,700	94,423	139,424	128,356
Short-term Disability	<u>4,405</u>	<u>3,280</u>	<u>3,720</u>	<u>3,444</u>
General Fund	2,749	2,021	2,314	2,068
Cash Funds	1,656	1,259	1,406	1,376
S.B. 04-257 Amortization Equalization Disbursement	<u>88,094</u>	<u>82,215</u>	<u>102,409</u>	<u>105,318</u>
General Fund	54,955	50,392	63,649	63,186
Cash Funds	33,139	31,823	38,760	42,132
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>85,092</u>	<u>81,311</u>	<u>102,409</u>	<u>105,318</u>
General Fund	53,082	49,809	63,649	63,186
Cash Funds	32,010	31,502	38,760	42,132

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Salary Survey	<u>21,842</u>	<u>0</u>	<u>38,555</u>	<u>65,893</u>	
General Fund	13,631	0	23,797	38,503	
Cash Funds	8,211	0	14,758	27,390	
Merit Pay	<u>28,354</u>	<u>0</u>	<u>16,124</u>	<u>0</u>	
General Fund	17,110	0	9,083	0	
Cash Funds	11,244	0	7,041	0	
Workers' Compensation and Payment to Risk Management and Property Funds	<u>2,682</u>	<u>2,653</u>	<u>4,221</u>	<u>5,712</u> *	
General Fund	2,682	2,653	4,221	5,712	
Operating Expenses	<u>140,469</u>	<u>126,420</u>	<u>180,481</u>	<u>180,481</u>	
General Fund	140,469	126,420	180,481	180,481	
Information Technology Asset Maintenance	<u>11,903</u>	<u>6,673</u>	<u>12,568</u>	<u>12,568</u>	
General Fund	5,619	1,552	6,284	6,284	
Cash Funds	6,284	5,121	6,284	6,284	
Legal Services	<u>21,222</u>	<u>52,574</u>	<u>108,265</u>	<u>127,516</u>	
General Fund	20,879	27,327	54,133	63,758	
Cash Funds	343	25,247	54,132	63,758	
Capitol Complex Leased Space	<u>76,324</u>	<u>57,670</u>	<u>66,982</u>	<u>61,617</u>	
General Fund	76,324	57,670	66,982	61,617	
Payments to OIT	<u>31,277</u>	<u>44,493</u>	<u>65,283</u>	<u>64,454</u>	
General Fund	31,277	44,493	62,754	61,925	
Cash Funds	0	0	2,529	2,529	

*Line item contains a decision item.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
CORE Operations	<u>85,635</u>	<u>154,696</u>	<u>172,690</u>	<u>168,062</u>	
General Fund	38,536	69,613	77,710	75,628	
Cash Funds	47,099	85,083	94,980	92,434	
Charter School Facilities Financing Services	<u>4,070</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	
Cash Funds	4,070	5,000	5,000	5,000	
Discretionary Fund	<u>1,271</u>	<u>1,343</u>	<u>5,000</u>	<u>5,000</u>	
General Fund	1,271	1,343	5,000	5,000	
Governors Office Set-Aside for Elected Officials	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,772</u> *	
General Fund	0	0	0	36,772	
TOTAL - (1) Administration	2,132,833	2,192,243	2,581,747	2,701,635	4.6%
<i>FTE</i>	<u>14.0</u>	<u>17.4</u>	<u>17.4</u>	<u>17.4</u>	0.0%
General Fund	948,649	959,829	1,225,717	1,337,288	9.1%
Cash Funds	1,184,184	1,232,414	1,356,030	1,364,347	0.6%

*Line item contains a decision item.

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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(2) UNCLAIMED PROPERTY PROGRAM

This program collects unclaimed property and attempts to locate and return it to the legal owners or heirs. Funding source is the Unclaimed Property Trust Fund.

Personal Services	<u>841,382</u>	<u>863,533</u>	<u>867,065</u>	<u>888,864</u>	
FTE	14.6	15.5	15.5	15.5	
Cash Funds	841,382	863,533	867,065	888,864	
Operating Expenses	<u>126,698</u>	<u>174,654</u>	<u>336,619</u>	<u>336,619</u>	
Cash Funds	126,698	174,654	336,619	336,619	
Promotion and Correspondence	<u>197,926</u>	<u>197,591</u>	<u>200,000</u>	<u>200,000</u>	
Cash Funds	197,926	197,591	200,000	200,000	
Leased Space	<u>57,189</u>	<u>53,460</u>	<u>56,947</u>	<u>58,680</u>	
Cash Funds	57,189	53,460	56,947	58,680	
Contract Auditor Services	<u>1,039,859</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	
Cash Funds	1,039,859	800,000	800,000	800,000	
TOTAL - (2) Unclaimed Property Program	2,263,054	2,089,238	2,260,631	2,284,163	1.0%
FTE	<u>14.6</u>	<u>15.5</u>	<u>15.5</u>	<u>15.5</u>	0.0%
Cash Funds	2,263,054	2,089,238	2,260,631	2,284,163	1.0%

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
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(3) SPECIAL PURPOSE

The expenditures in this section are included in the Long Bill for informational purposes only - they reflect continuous appropriations required by constitutional provisions or State statutes. The line items: reimburse local governments for property taxes foregone due to the Senior Citizen and Disabled Veteran Property Tax Exemption; allocate a portion of the Highway Users Tax Fund (HUTF) to local governments; and reimburse certain property taxes owed or paid for real and business personal property destroyed in a natural disaster. The General Fund appropriation for the Senior Citizen and Disabled Veteran Property Tax Exemption is exempt from the statutory limits on General Fund appropriations.

Senior Citizen and Disabled Veteran Property Tax Exemption	<u>127,141,987</u>	<u>136,000,000</u>	<u>148,000,000</u>	<u>162,806,461</u>	
General Fund	127,141,987	136,000,000	148,000,000	162,806,461	
Highway Users Tax Fund - County Payments	<u>202,300,996</u>	<u>208,476,193</u>	<u>208,476,193</u>	<u>215,623,312</u>	
Cash Funds	202,300,996	208,476,193	208,476,193	215,623,312	
Highway Users Tax Fund - Municipality Payments	<u>138,347,924</u>	<u>142,254,331</u>	<u>142,254,331</u>	<u>147,802,833</u>	
Cash Funds	138,347,924	142,254,331	142,254,331	147,802,833	
Property Tax Reimbursement for Property Destroyed by Natural Cause	<u>24,209</u>	<u>2,019</u>	<u>2,221,828</u>	<u>2,221,828</u>	
General Fund	24,209	2,019	2,221,828	2,221,828	
Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102, C.R.S.	<u>17,764,809</u>	<u>17,775,175</u>	<u>17,773,025</u>	<u>17,685,263</u>	
General Fund	5,772,834	0	0	0	
Cash Funds	11,991,975	0	0	0	
Reappropriated Funds	0	17,775,175	17,773,025	17,685,263	

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Public School Fund Investment Board Pursuant to Section 22-41-102.5 C.R.S.	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>500,000</u>	
Cash Funds	0	0	500,000	500,000	
TOTAL - (3) Special Purpose	485,579,925	504,507,718	519,225,377	546,639,697	5.3%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	132,939,030	136,002,019	150,221,828	165,028,289	9.9%
Cash Funds	352,640,895	350,730,524	351,230,524	363,926,145	3.6%
Reappropriated Funds	0	17,775,175	17,773,025	17,685,263	(0.5%)
TOTAL - Department of the Treasury	489,975,812	508,789,199	524,067,755	551,625,495	5.3%
<i>FTE</i>	<u>28.6</u>	<u>32.9</u>	<u>32.9</u>	<u>32.9</u>	0.0%
General Fund	133,887,679	136,961,848	151,447,545	166,365,577	9.9%
Cash Funds	356,088,133	354,052,176	354,847,185	367,574,655	3.6%
Reappropriated Funds	0	17,775,175	17,773,025	17,685,263	(0.5%)

APPENDIX B

RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2016 SESSION BILLS

H.B. 16-1161 (ALLOCATE SENIOR PROPERTY TAX EXEMPTION MONEY): Allocates the amount by which the value indicated in the Senior Citizen and Disabled Veteran Property Tax Exemption line item of the Long Bill exceeds the total amount of all warrants issued by the state treasurer to reimburse local governmental entities for property tax revenues lost as a result of the application of the exemption as follows: 95.0 percent to the Senior Services Account within the Older Coloradans Cash Fund, and 5.0 percent to the Veterans Assistance Grant Program Cash Fund.

H.B. 16-1175 (PROPERTY TAX EXEMPTION ADMINISTRATION): Makes various administrative changes to help identify applicants who do not meet the legal requirements for the Senior Citizen and Disabled Veteran Property Tax Exemption. Please see Recent Legislation in the Department of Local Affairs for additional information.

H.B. 16-1251 (SUPPLEMENTAL APPROPRIATION DEPARTMENT OF THE TREASURY): Modifies the FY 2015-16 Long Bill (S.B. 15-234) appropriation to the Department of the Treasury.

H.B. 16-1405 (LONG BILL): General appropriations act for FY 2016-17.

H.B. 16-1444 (DEFINITION QUALIFYING DISABLED VETERAN PROPERTY TAX): Aligns the statutory definition of "qualifying disabled veteran," as it relates to a property tax exemption for qualifying seniors and disabled veterans, with the language established in section 3.5 of article X of the Colorado Constitution.

2017 SESSION BILLS

S.B. 17-254 (LONG BILL): General appropriations act for FY 2017-18. Includes provisions modifying FY 2016-17 appropriations to the Department.

S.B. 17-267 (SUSTAINABILITY OF RURAL COLORADO): Identifies the amount of reimbursement made by the State to local governments for exempted property taxes pursuant to Section 3.5 of Article X of the State Constitution (Senior Citizen and Disabled Veterans Property Tax Exemption) as a reasonable method to make required refunds of excess state revenues pursuant to Section 20 of Article X of the State Constitution (TABOR). For any state fiscal year commencing on or after July 1, 2017, for which state revenues, as defined in section 24-77-103.6 (6)(c), exceed the excess state revenues cap as defined in Section 24-77-103.6 (6)(b)(I)(C) or (6)(b)(I)(D), C.R.S., and are required to be refunded in accordance with Section 20 of Article X of the State Constitution, the lesser of all reimbursement paid by the state treasurer to each county treasurer as required by Section 39-3-207 (4), C.R.S. for the property tax year that commenced during the state fiscal year, or an amount of such reimbursement equal to the amount

of excess state revenues for the state fiscal year that are required to be refunded, is a refund of such excess state revenues. For more information, see the corresponding bill description in the "Recent Legislation" section of the 2017-18 Appropriations Report, Department of Health Care Policy and Financing, Part III.

APPENDIX C

FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

There were no Departmental footnotes from FY 2017-18.

UPDATE ON REQUESTS FOR INFORMATION

1. Department of the Treasury, Administration – The State Treasurer is requested to submit an annual report to the Joint Budget Committee concerning the performance of the State's investments. The report should include comparisons to relevant benchmarks and a detailed discussion of the benchmarks. This report should be submitted as a part of the State Treasurer's annual budget request.

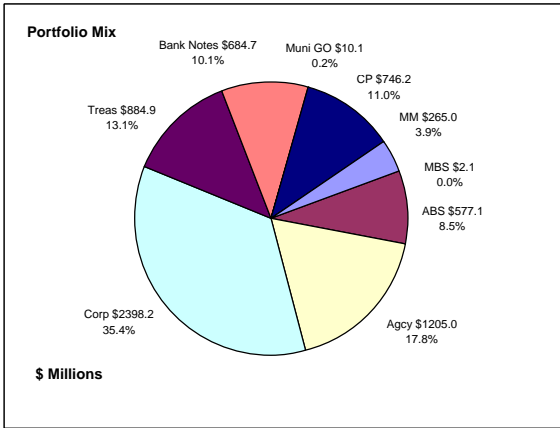
COMMENT: The State Treasurer included the requested report as part of the State Treasurer's annual budget request. The document includes data for a number of funds and portfolios, including: the Treasury Pool Combined as well as its constituent parts; the State Education Fund; the Major Medical Insurance Fund; the Public School Permanent Fund; and the Unclaimed Property Trust Fund. The report contains information concerning the value of each fund/portfolio, asset allocation, monthly yield, average maturity, and graphs that compare monthly performance against identified benchmarks. A copy of the reports for each of these funds is included at the back of this appendix.

2. Department of the Treasury, Unclaimed Property Program – The State Treasurer is requested to submit an annual report to the Joint Budget Committee concerning the Department's progress in implementing the new information systems (KAPS, LexisNexis) for which the Department has received funding; and on the workload measures these systems are intended to improve. The report should be submitted as a part of the State Treasurer's annual budget request and should include but need not be limited to annual comparisons of the following:

- Average number of claims processed per year, by claim type (A, B, C, and D);
- Average number of contacts per claim;
- Average time per contact; and
- Total value of each claim type (A, B, C, and D) per year.

COMMENT: The State Treasurer included the requested report as part of the State Treasurer's annual budget request. A copy of the report is included at the back of this appendix.

Colorado Treasury Pool Combined June 30, 2017



Portfolio Value

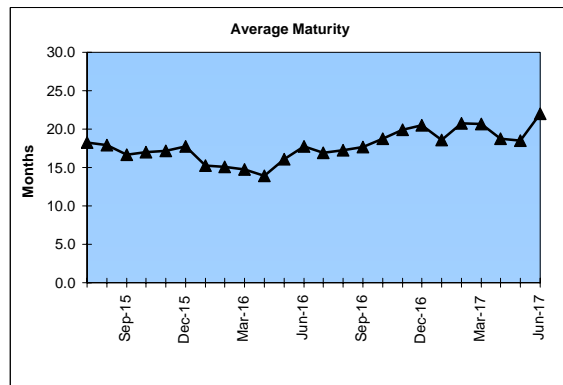
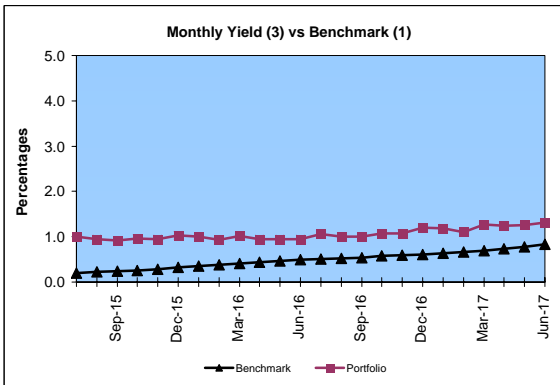
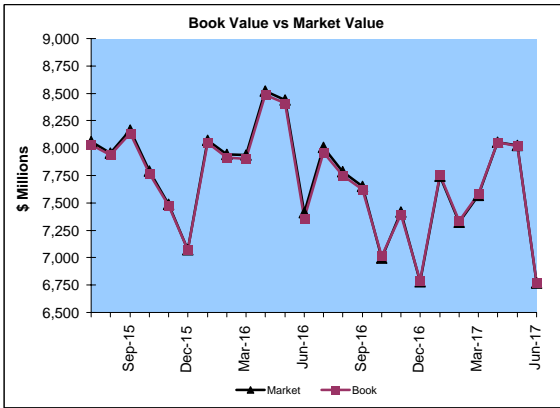
Market Value \$6,770.2 Million
Book Value \$6,773.3 Million

Yield and Average Maturity

Portfolio Book Yield 1.2%
Portfolio Average Maturity 22.0 Months

Portfolio Quality

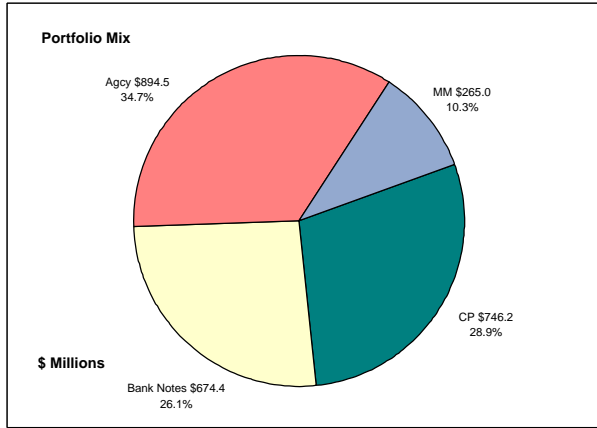
	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed		100.0%							8.5%
Corporates		2.7%	38.2%	57.6%	1.5%				35.4%
Mortgage Securities			100.0%						0.0%
Commercial Paper	100.0%								11.0%
Treasuries			100.0%						13.1%
Federal Agencies			100.0%						17.8%
Bank Notes		100.0%							10.1%
Muni GOs			100.0%						0.2%
Certificates of Deposit									
Money Market Funds								100.0%	3.9%
Total Portfolio	11.0%	19.6%	44.6%	20.4%	0.5%			3.9%	100.0%



	\$ Millions		Book Yield	Performance Benchmarks (2)
	Average Portfolio	Realized Income		
FY '17 YTD	7,635.0	87.8 ³	1.2%	0.8%
Last 12 months	7,635.0	87.8 ³	1.2%	0.8%
FY '16	7,972.4	77.0	1.0%	0.5%
FY '15	7,661.9	79.2	1.0%	0.2%
FY '14	7,842.0	77.4	1.0%	0.1%
FY '13	7,157.7	78.3	1.1%	0.2%
FY '12	6,442.3	89.5	1.4%	0.2%
Avg FY '12-16	7,415.3	80.3	1.1%	0.2%

(1) 12 month moving average of the constant maturity yield on the 1 year Treasury note
(2) 12 month moving average of the constant maturity yield on the 1 year Treasury note at end of period
(3) Excludes \$80K in net gains for FYTD 2017

Colorado Treasury Cash
(0 - 1 year maturities)
June 30, 2017



Portfolio Value

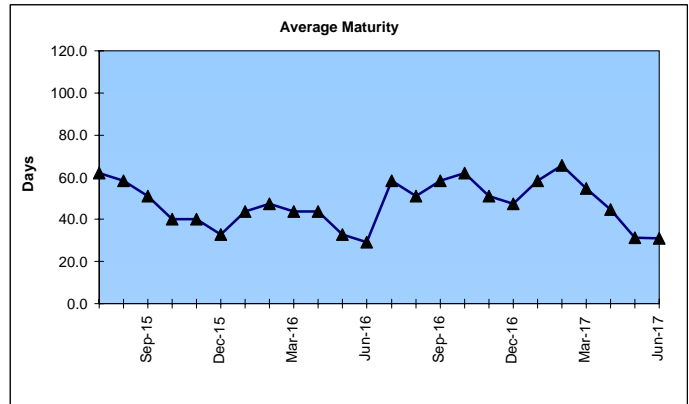
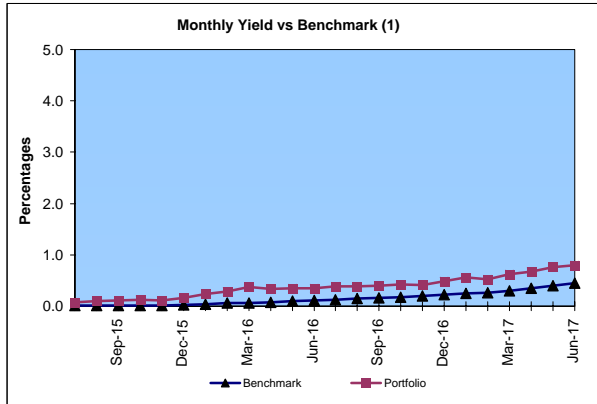
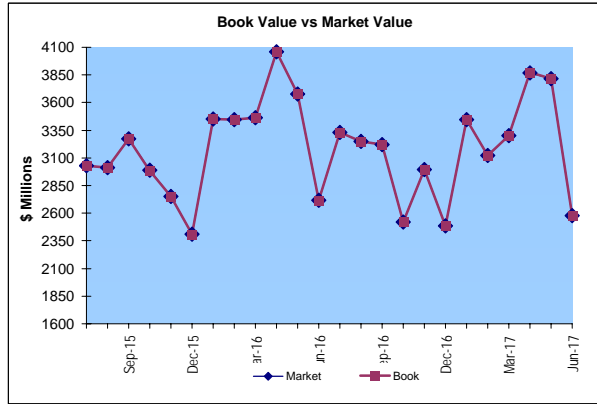
Market Value \$2,580.0 Million
Book Value \$2,580.1 Million

Yield and Average Maturity

Portfolio Book Yield 0.55%
Portfolio Average Maturity 31 Days

Portfolio Quality

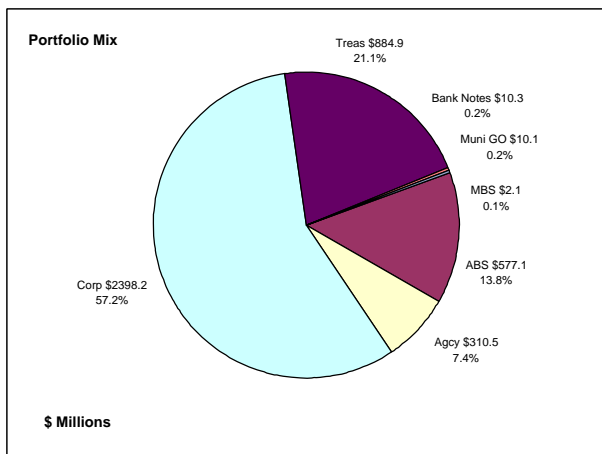
	A1 / P1	AA	AAA	Other	Portfolio Percent
Commercial Paper	100.0%				28.9%
Federal Agencies		100.0%			34.7%
Corporates					0.0%
Certificates of Deposit					0.0%
Bank Notes			100.0%		26.1%
Money Market Funds				100.0%	10.3%
Total Portfolio	28.9%	34.7%	26.1%	10.3%	100.0%



	\$ Millions		Book	Performance
	Average Portfolio	Realized Income	Yield	Benchmarks (2)
FY '17 YTD	3,274.3	18.0	0.55%	0.45%
Last 12 months	3,274.3	18.0	0.55%	0.45%
FY '16	3,276.6	7.5	0.23%	0.11%
FY '15	2,467.4	1.8	0.07%	0.01%
FY '14	2,970.8	2.0	0.07%	0.03%
FY '13	3,223.2	3.5	0.11%	0.05%
FY '12	3,135.5	2.6	0.08%	0.03%
Avg FY '12-'16	3,014.7	3.5	0.11%	0.05%

(1) 12 month moving average of the 30 day Treasury bill
(2) 12 month moving average of the 30 day Treasury bill at end of period

Colorado Treasury Pool
(1 - 5 year maturities)
June 30, 2017



Portfolio Value

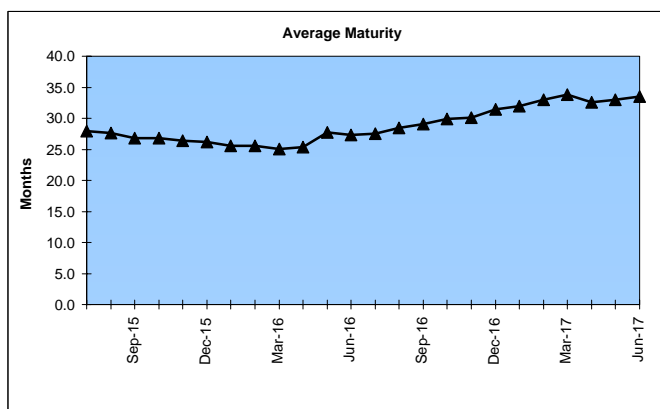
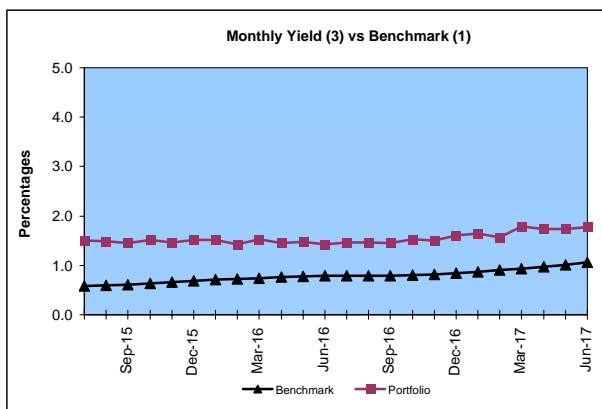
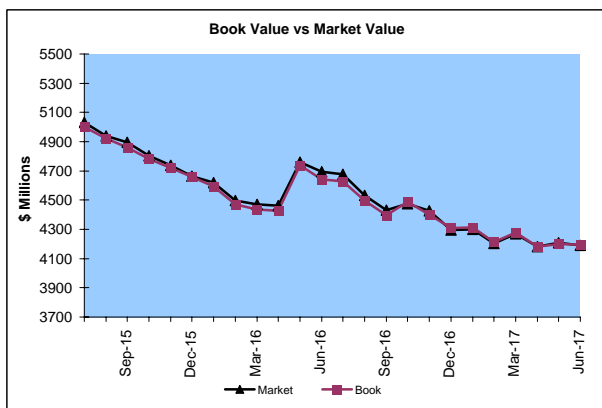
Market Value \$4,190.2 Million
 Book Value \$4,193.2 Million

Yield and Average Maturity

Portfolio Book Yield 1.6%
 Portfolio Average Maturity 33.5 Months

Portfolio Quality

	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed	100.0%							13.8%
Corporates	2.7%	38.2%	57.6%	1.5%				57.2%
Bank Notes	100.0%							0.2%
Mortgage Securities		100.0%						0.1%
Treasuries		100.0%						21.1%
Federal Agencies		100.0%						7.4%
Muni GOs		100.0%						0.2%
Total Portfolio	15.6%	50.6%	33.0%	0.8%				100.0%

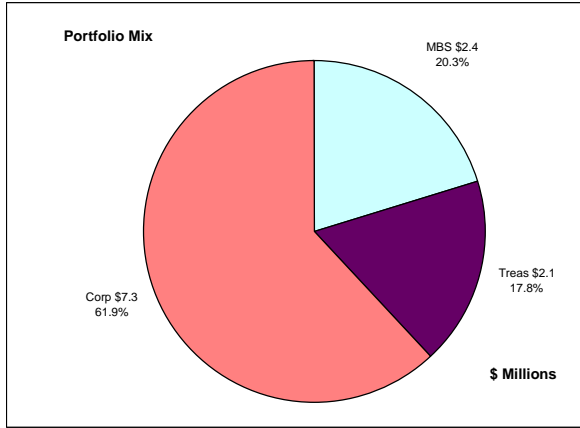


	Average Portfolio	Realized Income	Book Yield	Performance Benchmarks (2)
FY '17 YTD	4,360.6	69.9 ³	1.6%	1.1%
Last 12 months	4,360.6	69.9 ³	1.6%	1.1%
FY '16	4,695.9	69.4	1.5%	0.8%
FY '15	5,194.5	77.4	1.5%	0.6%
FY '14	4,871.2	75.4	1.6%	0.4%
FY '13	3,934.5	74.8	1.9%	0.3%
FY '12	3,306.8	86.9	2.6%	0.3%
Avg FY '12-'16	4,400.6	76.8	1.8%	0.5%

(1) 12 month moving average of the constant maturity yield on the 2 year Treasury note
 (2) 12 month moving average of the constant maturity yield on the 2 year Treasury note at end of period
 (3) Excludes \$80K in net gains for FYTD 2017

Colorado Major Medical Insurance Fund

June 30, 2017



Portfolio Value (1)

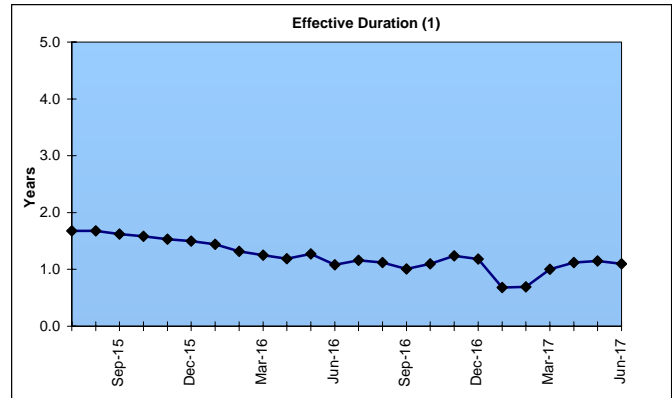
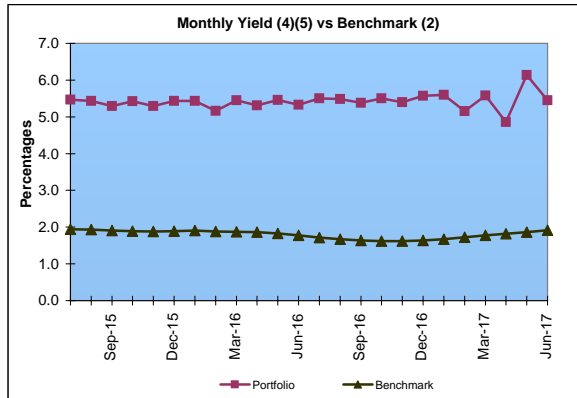
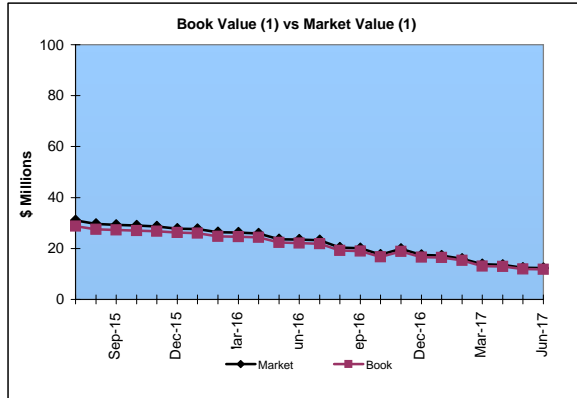
Market Value \$12.3 Million
Book Value \$11.8 Million

Yield and Effective Duration

Portfolio Book Yield 2.0%
Portfolio Effective Duration (1) 1.1 Yrs

Portfolio Quality (1)

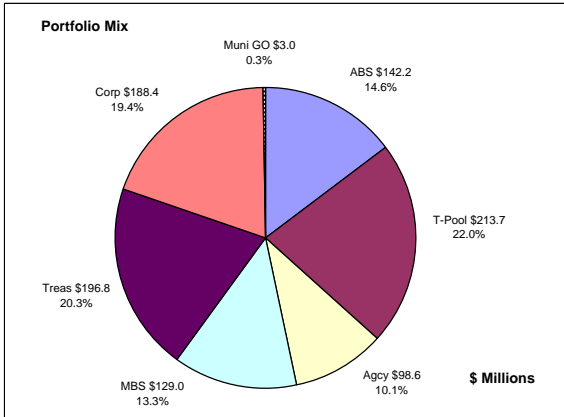
	AAA	AA	A	BBB	BB	Portfolio Percent
Asset Backed						0.0%
Corporates	27.4%	41.1%	31.5%			61.9%
Federal Agencies						0.0%
Mortgage Securities		100.0%				20.3%
Treasuries		100.0%				17.8%
Total Portfolio	16.9%	63.6%	19.5%			100.0%



	\$ Millions		Book Yield	Performance Benchmarks (3)
	Average Portfolio	Realized Income		
FY '17 YTD	80.7	1.6 ⁵	2.0%	1.9%
Last 12 months	80.7	1.6 ⁵	2.0%	1.9%
FY '16	84.3	2.0	2.3%	1.8%
FY '15	87.7	2.5 ⁴	2.9%	2.0%
FY '14	90.7	3.1	3.4%	2.2%
FY '13	89.7	3.9	4.3%	1.2%
FY '12	99.4	4.7	4.7%	1.5%
Avg FY '12-'16	90.3	3.2	3.5%	1.7%

- (1) Does not include State Treasury Pool balances in calculation.
- (2) 12 month moving average of the constant maturity yield on the 7 year Treasury note
- (3) 12 month moving average of the constant maturity yield on the 7 year Treasury note at end of period
- (4) Excludes \$113K in gains for FYTD 2015
- (5) Excludes \$64K in gains for FYTD 2017

Colorado Public School Permanent Fund June 30, 2017



Portfolio Value

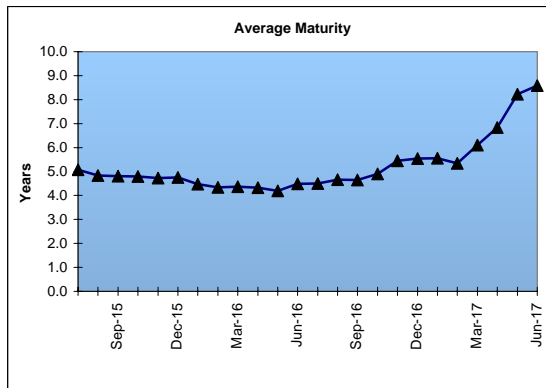
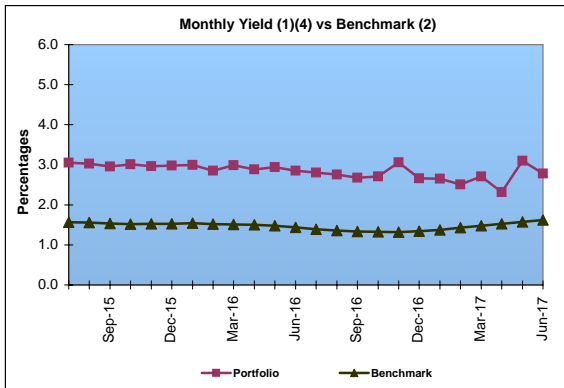
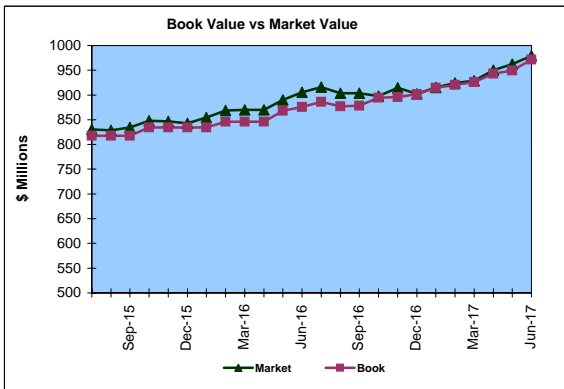
Market Value \$979.4 Million
Book Value \$971.7 Million

Yield and Average Maturity

Portfolio Book Yield 2.4%
Portfolio Average Maturity 8.6 Yrs

Portfolio Quality

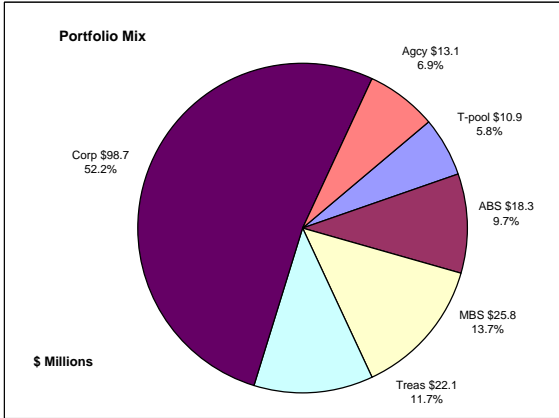
	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed		100.0%							14.6%
Corporates	18.37%		71.86%	9.77%					19.4%
Mortgage Securities			100.0%						13.3%
Treasuries			100.0%						20.3%
Federal Agencies			100.0%						10.1%
Muni GOs			100.0%						0.3%
T-Pool Combined	11.0%	19.6%	44.6%	20.4%	0.5%	0.0%	0.0%	3.9%	22.0%
Total Portfolio	2.4%	22.5%	67.7%	6.4%	0.1%			0.9%	100.0%



	\$ Millions		Book Yield	Performance Benchmarks (3)
	Average Portfolio	Realized Income		
FY '17 YTD	902.4	21.6 ⁴	2.4%	1.6%
Last 12 months	902.4	21.6 ⁴	2.4%	1.6%
FY '16	835.1	21.7	2.6%	1.4%
FY '15	739.8	22.1	3.0%	1.6%
FY '14	668.8	21.6	3.2%	1.6%
FY '13	622.2	22.4	3.6%	0.8%
FY '12	582.2	24.1	4.1%	1.0%
Avg FY '12-'16	689.6	22.4	3.3%	1.3%

- (1) Does not include State Treasury Pool balances in calculation.
- (2) Latest 12 month moving average of the constant maturity yield on the 5 year Treasury note
- (3) Latest 12 month moving average of the constant maturity yield on the 5 year Treasury note at end of period
- (4) Excludes \$4.15 million in net gains for FYTD 2017

Unclaimed Property Tourism Fund June 30, 2017



Portfolio Value

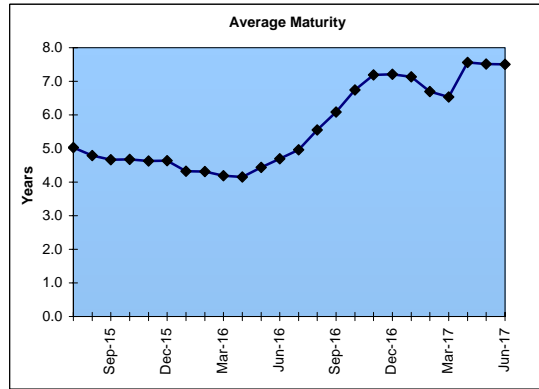
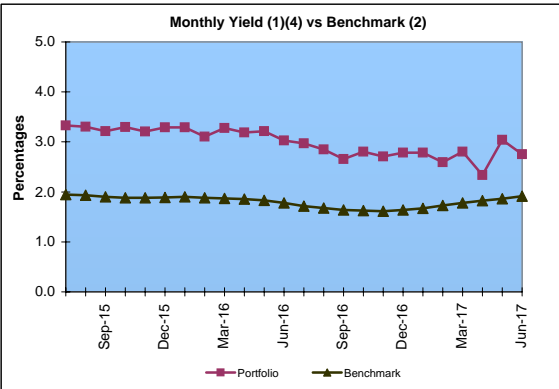
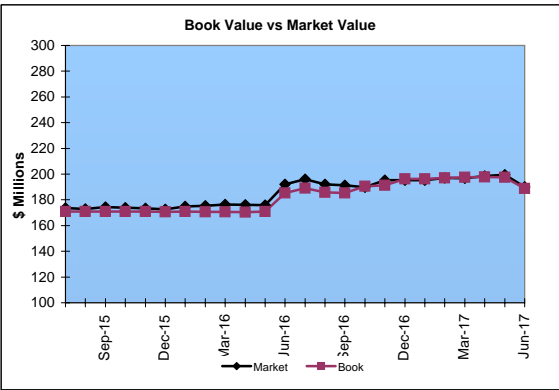
Market Value \$190.1 Million
Book Value \$188.9 Million

Yield and Average Maturity

Portfolio Book Yield 2.6%
Portfolio Average Maturity 7.5 Yrs

Portfolio Quality

	A1 / P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed			100.0%						9.7%
Corporates		3.0%	37.6%	53.3%	6.1%				52.2%
Federal Agencies			100.0%						6.9%
Mortgage Securities			100.0%						13.7%
Treasuries			100.0%						11.7%
T-Pool Combined	11.0%	19.6%	44.6%	20.4%	0.5%	0.0%	0.0%	3.9%	5.8%
Total Portfolio	0.7%	12.4%	54.5%	29.0%	3.2%			0.2%	100.0%



	\$ Millions		Book Yield	Performance Benchmarks (3)
	Average Portfolio	Realized Income		
FY '17 YTD	192.1	4.9 ⁴	2.6%	1.9%
Last 12 months	192.1	4.9 ⁴	2.6%	1.9%
FY '16	169.5	4.6	2.7%	1.8%
FY '15	153.7	4.6	3.0%	2.0%
FY '14	136.9	4.3	3.1%	2.2%
FY '13	122.9	4.1	3.3%	1.2%
FY '12	114.3	3.8	3.3%	1.5%
Avg FY '12-'16	139.5	4.3	3.1%	1.7%

- (1) Does not include State Treasury Pool balances in calculation.
- (2) 12 month moving average of the constant maturity yield on the 7 year Treasury note
- (3) 12 month moving average of the constant maturity yield on the 7 year Treasury note at end of period
- (4) Excludes \$353K in net gains for FYTD 2017

The new KAPS information system for the Unclaimed Property program went live on May 22, 2017. The FY 2016-17 figures below were collected from our previous Unclaimed Property information system through May 19, 2017 and from the KAPS system from that point to fiscal year end. Once we work through the initial learning curve, we will be able to assess the efficiencies of the new system; and the Treasurer's goal is to provide the JBC with annual comparisons once enough data has been collected from the KAPS system.

Claim Type	Average # of Claims Processed	Average # of Contacts per Claim	Average Time per Contact (minutes)	Total Value of Claims
A	4,273	1	7	\$334,052
B	6,836	2.5	7	\$3,749,242
C	5,127	3	8	\$9,579,432
D	855	5	10	\$16,234,926

APPENDIX D

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(a)(I), C.R.S., by November 1 of each year, the Office of State Planning and Budgeting is required to publish an **Annual Performance Report** for the *previous fiscal year* for the Department of Treasury. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department of Treasury is required to develop a **Performance Plan** and submit the plan for FY 2017-18 to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

The FY 2016-17 Annual Performance Report and FY 2017-18 Performance Plan for the Department of Treasury are unavailable as of the date of this briefing. However, staff has been informed that the reports will be ready by late December of 2017.

APPENDIX E

DEPARTMENT HISTORY FOR REFERENCE

The General Fund appropriation in the Department of the Treasury supports: (1) the senior citizen and disabled veteran property tax exemption, (2) tax reimbursements for property destroyed by a natural cause, and (3) a portion of the Department's administrative expenses. The Department's cash fund appropriation includes: (1) transaction fee revenue, which supports department administrative expenses; (2) moneys in the Unclaimed Property Trust Fund, which support the Unclaimed Property Program; and (3) distributions from the Highway Users Tax Fund to counties and municipalities.

SENIOR CITIZEN AND DISABLED VETERAN PROPERTY TAX EXEMPTION

For tax year 2002, the exemption was limited to the first \$200,000 of actual residence value. The General Assembly lowered this amount from \$200,000 to \$0 for tax years 2003, 2004, and 2005, thereby eliminating the associated state expenditures for corresponding fiscal years. State payments resumed in FY 2006-07. The General Assembly passed several bills during the 2009 and 2010 sessions that reduced the senior citizen exemption to \$0 for FY 2009-10, FY 2010-11 and FY 2011-12. These bills left in place the exemption for disabled veterans. No bills were passed during the 2016 session that reduced the exemption from those defined in statute.

State payments to local governments are subject to the Taxpayer's Bill of Rights (TABOR) limitation on the State's fiscal year spending, but are not subject to the statutory restriction on General Fund appropriations pursuant to Section 24-75-201.1 (1) (a) (II) through (IV), C.R.S. Estimated General Fund expenditures for the property tax exemption are included in the Department of the Treasury's budget for informational purposes.

SENIOR CITIZEN AND DISABLED VETERAN HOMESTEAD PROPERTY TAX EXEMPTION					
	FY 2013-14 ACTUAL	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL	FY 2016-17 ESTIMATED	FY 2017-18 PROJECTED
Senior Citizens	\$107,723,840	\$114,234,918	\$124,500,824	\$135,822,946	**
Disabled Veterans	2,083,129	2,646,365	\$2,637,206	\$2,877,054	**
TOTAL	\$102,728,041	\$109,806,969	\$116,881,283	\$138,700,000	\$147,900,000

¹ Estimates based on the September 2016 Legislative Council Staff Economic Forecast. Estimates in this table differ from JBC Staff projections found in subsequent tables in this document.

PROPERTY TAX REIMBURSEMENTS FOR PROPERTY DESTROYED BY A NATURAL CAUSE

As defined in Section 39-1-102 (8.4), C.R.S., a natural cause includes a fire, explosion, flood, tornado, action of the elements, act of war or terror, or similar cause beyond the control of and not caused by the property owner. This property tax reimbursement is for tax years beginning on or after January 1, 2013. Upon receipt of a report from a county treasurer verifying the total amount of property tax in the county eligible for reimbursement, the State Treasurer shall issue a reimbursement warrant to the applicable county treasurer for the total amount.

PROPERTY TAX REIMBURSEMENTS FOR PROPERTY DESTROYED BY A NATURAL CAUSE (H.B. 14-1001)		
COUNTY	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL
Boulder	\$380,580	\$6,561
El Paso	377,381	2,117

PROPERTY TAX REIMBURSEMENTS FOR PROPERTY DESTROYED BY A NATURAL CAUSE (H.B. 14-1001)		
COUNTY	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL
Huerfano	3,411	0
Jefferson	6,277	0
Larimer	84,473	0
Logan	50,945	15,463
Mesa	183	68
Weld	193,246	0
TOTAL	\$1,096,496	\$24,209

HIGHWAY USERS TAX FUND DISBURSEMENTS

The Department distributes revenues from the Highway Users Tax Fund (HUTF) to counties and municipalities for use on local transportation projects pursuant to statutory formulas in Sections 43-4-207 and 208, C.R.S. The amounts anticipated to be distributed to counties and municipalities are reflected as cash funds appropriations within the Special Purpose section of the Long Bill for informational purposes. The following table details recent distributions of HUTF revenues, as well as projections for FY 2015-16 and FY 2016-17.

HIGHWAY USERS TAX FUND (HUTF) REVENUES AND DISTRIBUTIONS (\$ MILLIONS)						
	FY 12-13 ACTUAL ¹	FY 13-14 ACTUAL ¹	FY 14-15 ACTUAL ¹	FY 15-16 ACTUAL ¹	FY 16-17 ESTIMATED ²	FY 17-18 PROJECTED ²
Total Revenues	\$937.5	\$970.6	\$1,016.1	\$1,230.6 ³	\$1,247.8	\$1,265.3
<i>Annual Percent Change</i>	(0.6%)	3.5%	4.7%	21.1%	0.1%	0.1%
Treasury Distributions						
Counties	\$184.7	\$190.6	\$200.6	\$204.0	\$206.9	\$209.8
Municipalities	126.4	130.4	\$136.9	139.2	141.1	143.1

¹ Values have been updated to correspond with the final general ledgers for the Department of Treasury's Fund 405.
² Estimated based on Legislative Council Staff's forecasted percentage increase applied against the FY 2014-15 actual revenues and against Treasury's distributions to counties and municipalities.
³ H.B. 16-1416 transferred General Fund to HUTF for use by CDOT.

TRANSFERS FROM THE UNCLAIMED PROPERTY TRUST FUND

Pursuant to the Unclaimed Property Act, Article 13 of Title 38, C.R.S., the Unclaimed Property Program in the Department of the Treasury is established to take custody of dormant or abandoned property and return the property to the rightful owners or heirs. In general, all intangible property, including any income derived therefrom, less any lawful charges, that is held, issued, or owing in the ordinary course of a holder's business and has remained unclaimed by the owner for more than five years after it became payable or distributable is presumed abandoned. Such intangible property is subject to the custody of the state as unclaimed property and is held in trust on behalf of the owners in the Unclaimed Property Trust Fund (UPTF). Aside from the payment of claims to owners and heirs, the fund balance is used to cover the costs of administering the program, including personal services, operating expenses, promotion and correspondence, leased space, and contract auditor services for the division. In addition, it is used to cover a portion of the Department of Treasury's administrative costs, and a percentage of the salaries paid to the Treasurer and Deputy Treasurer.

Although monies in the UPTF are held in trust by the state, since 1991 funds from the principal and interest of the UPTF have been authorized for use to fund programs that address medical or dental needs of Colorado residents. Upon transfer from the UPTF, funds are subject to the TABOR limitation on fiscal year spending pursuant to Section 20 of Article X of the Colorado Constitution. From 1991 through 2013 annual transfers from the UPTF were made to CoverColorado, a

nonprofit entity created by the General Assembly to offer health insurance coverage to people unable to obtain insurance at a reasonable cost or without significant exclusions.³ As a result of the passage of the federal Patient Protection and Affordable Care Act in 2010, and pursuant to H.B. 13-1115, CoverColorado was repealed and the transmission of monies to CoverColorado from the Unclaimed Property Trust Fund ended effective May 1, 2013. The legislation required the board to transmit \$15.0 million from CoverColorado to the State Treasurer for deposit into the UPTF on July 1, 2013. These funds were subsequently transferred from the UPTF to Connect for Health Colorado, the state's health benefit exchange. This was a one-time transfer.

Pursuant to S.B. 13-242, dental services for adults were added to the list of operational services provided by Medicaid and are funded through the creation of the Adult Dental Fund (ADF). Legislation directs that transfers from the UPTF be made into the ADF to cover the costs of the bill. During the 2016 legislative session, H.B. 16-1409 was passed requiring the estimated FY 2016-17 transfer in the amount of \$34.8 million to occur in June 2016. This transfer eliminated the transfer that would have occurred in FY 2016-17. The bill also required the State Treasurer to transfer \$8.0 million from the UPTF to the General Fund in FY 2015-16. This was a one-time transfer. The table below provides balance information for the UPTF.

FUND BALANCE PROJECTIONS FOR UNCLAIMED PROPERTY TRUST FUND (\$ MILLIONS)					
	FY 13-14 ACTUAL ¹	FY 14-15 ACTUAL ¹	FY 15-16 ACTUAL ¹	FY 16-17 ESTIMATED ²	FY 17-18 PROJECTED ²
Beginning balance	\$124.5	\$168.0	\$189.0	\$156.3	\$197.5
Net revenue	46.2	41.1	41.9	41.9	41.9
Interest income	1.5	2.0	1.5	2.0	2.0
Gross revenue	\$172.2	\$211.1	\$232.4	\$200.2	\$241.4
Unclaimed Property Program operating expenses	(2.6)	(2.5)	(2.7)	(2.7)	(2.7)
Transfers from CoverColorado (H.B. 13-1245)	15.0	n/a	n/a	n/a	n/a
Transfers to Colorado Health Benefit Exchange (H.B. 13-1245)	(15.0)	n/a	n/a	n/a	n/a
Transfers to Adult Dental Fund (S.B. 13-242)	(1.6)	(19.6)	(30.6)	0.0	(34.8)
Transfer to Adult Dental Fund (16-1409)	n/a	n/a	(34.8)	n/a	n/a
Transfer to General Fund (H.B. 16-1409)	n/a	n/a	(8.0)	n/a	n/a
Total expenses	(\$4.2)	(\$22.1)	(\$76.1)	(\$2.7)	(\$37.5)
End balance	\$168.0	\$189.0	\$156.3	\$197.5	\$203.9
Required reserve	(106.5)	(109.9)	(115.4)	(121.2)	(121.2)
Available fund balance	\$61.5	\$79.1	\$40.9	\$76.3	\$82.7

Note: Unclaimed Property Trust Fund balance, revenue, expenses, and reserve information provided by the Department of the Treasury.

TRANSFERS TO THE STATE EDUCATION FUND

Prior to FY 2013-14, Section 31-30.5-307, C.R.S., required the state to pay part of the unfunded liability of retirement plans that cover police and firefighters who were hired before 1978. These payments were made through annual transfers from the General Fund (Exempt) to the Fire and Police Pension Association (FPPA), the plan administrator. This annual General Fund transfer was included in the Long Bill for informational purposes and was not subject to the statutory limit on General Fund appropriations. The intended payoff of this liability was scheduled to terminate upon the retirement funds becoming fully funded based on an actuarially sound basis. Legislation resulting in payment reductions or suspensions shifted the targeted payoff from December 2009 to April 2019. As of May 31, 2013, the six remaining payments (April 2014 through April 2019) were calculated to total \$171,597,134. The total payoff as of May 31, 2013 was calculated at \$132,409,339.

³ Section 10-5-502, C.R.S.

Pursuant to S.B. 13-234, on May 31, 2013, the State Treasurer transferred \$132,409,339 from the General Fund to the FPPA in order to fully resolve the liability. This transfer served to satisfy all future payments to the fund; and upon this transfer, no other transfers will be made to the benefit plan. According to Section 24-75-200, C.R.S., the transfer reduced the amount of the General Fund surplus that would otherwise have been transferred to the State Education Fund. In order to reimburse this fund, the General Assembly established a repayment schedule for transfers from the General Fund to the State Education Fund. The first transfer was made in April 2014 in the amount of \$45,321,079. Annual transfers of \$25,231,070 were scheduled for April of each year from 2015 through 2018, with a final transfer of \$24,991,739 scheduled for April of 2019. Remaining transfers are outlined in the table below:

TRANSFERS TO STATE EDUCATION FUND SCHEDULE (S.B. 13-234)	
PAYMENT DATE	AMOUNT
April 2017 (FY 2016-17)	25,321,079
April 2018 (FY 2017-18)	25,321,079
April 2019 (FY 2018-19)	24,991,739

The Department's three investment offices manage five investment portfolios with short, intermediate, and long-term fixed income goals. These portfolios include:

- **TCash:** a short-term portfolio including investments made in securities from one day to one year. Its purpose is to pay the state's bills, including payroll, education, Public Employees Retirement Account, and redemption funding of the state's Tax and Revenue Anticipation Notes. The TCash and the TPool portfolios combined are referred to as the Treasury Pool.
- **TPool:** an intermediate portfolio including investments made in securities with maturities from one to five years. Its purpose is to take advantage of the yield curve to earn income and diversify investments. The TCash and the TPool portfolios combined are referred to as the Treasury Pool.
- **The Public School Permanent Fund:** a long-term portfolio made up of money earned from the sale or rental of lands and mineral royalties held in the school land trust; structured to preserve principal first, and then to maximize income. The State Public School Fund receives the first \$16 million of this fund's investment earnings.
- **The Major Medical Insurance Fund:** a long-term portfolio made up of money earned from a surcharge in the Division of Workers Compensation in the Department of Labor and Employment. The surcharge rate is established in order to ensure that anticipated obligations in each fiscal year can be met, as well as maintain a balance to cover one year's claims plus expected administrative costs. Currently, \$83.0 million of this fund is designated as a component of the state's Emergency Reserve.
- **The Unclaimed Property Tourism Promotion Trust Fund:** a long-term portfolio made up of proceeds collected through the sale of securities in the custody of the State Treasurer as the administrator of unclaimed property. The principal of the fund is expended to pay claims.

Earned interest is credited to the Colorado State Fair Authority Cash Fund, the Agriculture Management Fund, and the Colorado Travel and Tourism Promotion Fund. Currently, \$5.0 million of this fund is designated as a component of the State's Emergency Reserve.

Aside from moneys invested in the Unclaimed Property Tourism Trust Fund, Colorado Public School Permanent Fund, and Colorado Major Medical Insurance Fund portfolios, all other funds identified for special purposes in statute are invested as part of the Treasury Pool (TCash or TPool) portfolios.